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United States Senate

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July 26, 1993

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Mr. James H. Quello  
Interim Chairman  
Federal Communications Commission  
Room 802  
1919 M Street, N.W.  
Washington, D.C. 20554

Dear Mr. Quello:

Re: MM Docket No. 92-266  
MM Docket No. 92-263

As you know, Section 623 (i) of the 1992 Cable Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." The purpose of this section is to protect small system operators whose narrow profit margins do not permit large legal or accounting expenses. It is my hope that in implementing the Cable Act the Commission will be sensitive to the needs of these small system operators and follow the letter and the spirit of Section 623 (i).

Warmest regards,

*Nancy*  
Nancy Landon Kassebaum  
United States Senator

NLK:dw

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92-263

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July 13, 1993

Delivered by Hand

The Honorable James H. Quello  
Chairman  
Federal Communications Commission  
1919 M Street, N.W., Room 802  
Washington, D.C. 20554

Re: MM Docket No. 92-266  
MM Docket No. 92-263

Dear Chairman Quello:

Following up your statements regarding the plight of small cable operators in complying with the 1992 Cable Act ("the Act"), we write to urge the Commission to take actions to alleviate unnecessary burdens on these operators. We believe, based upon extensive consultations with our members, that failing to act will seriously impede the ability of small cable systems to provide quality service to subscribers.

The Commission recognizes that Section 623(i) of the Act "requires that the Commission develop and prescribe cable rate regulations that reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." Moreover, the public interest standard authorizes exceptions to the general rule where justified. We applaud your public commitment to work to alleviate small system burdens. We urge the Commission:

- To permit small operators to justify their current rates based on a simplified net income analysis. A simple comparison of total system revenues to operating expenses, depreciation and interest expenses for some specified prior period would demonstrate whether the system's current rates require any further examination. A net income analysis would be much simpler to calculate and apply than the benchmark approach.
- To permit small operators to increase rates to the benchmark cap. The Commission has found that rates at or below the national cap are "reasonable." By affording small operators presently charging rates below the cap the option to increase rates to the cap, these systems will retain the flexibility needed to generate necessary capital.
- To authorize small operators to base rates on the bundling of service and equipment charges. The requirement that operators "back out" equipment costs based on "actual cost" from the benchmark rates is a particularly onerous procedural requirement. The Commission should adopt a mechanism that does not force small operators to engage in these calculations.

The Honorable James H. Quello

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- To allow small operators to pass-through rebuild costs. Small operators are generally located in rural areas. Congress and the Commission have long advocated special regulatory treatment to make state-of-the-art communications technology available to rural areas. Permitting small operators to pass-through rebuild costs will increase the chances that rural subscribers promptly gain the benefits of state-of-the-art technology.
- To clarify that the customer service requirements that do not require small operators maintain local offices in each service area community. The local office rule will prove exceptionally onerous for many small operators. Under the rule, a system serving several communities of perhaps 100 subscribers would be obligated to bear the costs of local offices in each community. Any benefits would be clearly outweighed by the costs.
- To commence a rulemaking addressing small system regulatory concerns. The Commission should comprehensively examine, in a separate proceeding, the impact of its regulations on small operators. This rulemaking should identify regulations which, when applied to small operators, are presumptively more harmful than beneficial. It should also discuss alternatives to benchmark regulations for small systems such as system profitability or level of net income. Small operators should be permitted to seek waivers of the identified regulations, with the burden placed on those who favor application of these regulations to the small operators.

We believe that taking these steps will enable small operators to serve their subscribers efficiently, while simultaneously maintaining the Act's consumer protections.

We have filed a copy of this letter with the Secretary for inclusion in the appropriate dockets.

*David D. Kinley*

David D. Kinley  
Small Cable Business Association

*Stephen R. Effros*

Stephen R. Effros  
Community Antenna Television Association

Sincerely,

*Michael J. Pohl*  
Michael J. Pohl for  
Coalition of Small System  
Operators

*Decker Anstrom*  
Decker Anstrom  
National Cable Television  
Association

cc: The Honorable Andrew C. Barrett  
The Honorable Ervin S. Duggan